

**MONTCALM TOWNSHIP
MONTCALM COUNTY, MICHIGAN
ANNUAL FINANCIAL STATEMENTS
AND
AUDITOR'S REPORT
MARCH 31, 2005**

Auditing Procedures Report

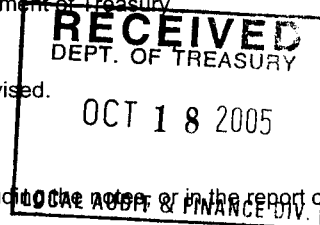
Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name MONTCALM TOWNSHIP	County MONTCALM
Audit Date 3/31/05	Opinion Date 9/20/05	Date Accountant Report Submitted to State: 9/29/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



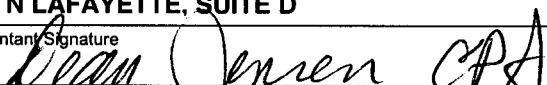
We further affirm the following. "Yes" responses have been disclosed in the financial statements, included in the notes or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) DEAN JENSEN, CPA, PC			
Street Address 108 N LAFAYETTE, SUITE D		City GREENVILLE	State MI
Accountant Signature 		ZIP 48838-0605	Date 9/29/05

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INDEPENDENT AUDITOR'S REPORT

To the Township Board
Montcalm Township
Montcalm County, Michigan

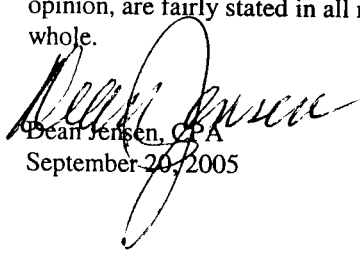
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montcalm Township, Montcalm County, Michigan, as of and for the year ended March 31, 2005, which collectively comprise Montcalm Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Montcalm Township, Montcalm County, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the supporting financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Montcalm Township, Montcalm County, Michigan, as of March 31, 2005, and the respective changes in fund balance for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

As described in Note 1, the Township of Montcalm has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*, as of March 31, 2005. However, management has elected not to present the Management's Discussion and Analysis portion of the financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Montcalm Township, Montcalm County, Michigan basic financial statements. The combining and individual fund financial statements as listed in the accompanying table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Dean Jensen, CPA
September 20, 2005

GOVERNMENT WIDE FINANCIAL STATEMENTS

MONTCALM TOWNSHIP
GOVERNMENT WIDE STATEMENT OF NET ASSETS
MARCH 31, 2005

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 522,860
Receivables - other governmental units	47,149
Capital assets (net)	<u>621,682</u>
Total Assets	<u><u>\$ 1,191,691</u></u>
 LIABILITIES	
Accounts payable	\$ 9,232
Total liabilities	<u>9,232</u>
 NET ASSETS	
Invested in capital assets, net of related debt	621,682
Unrestricted	<u>560,777</u>
Total net assets	<u><u>\$ 1,182,459</u></u>

See accompanying notes to financial statements

MONTCALM TOWNSHIP
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2005

		Net (Expense) Revenue and Changes in Net Assets		
		Program Revenues	Primary Government	
		Expenses	Charges for Services	Governmental Activities Business Type Activities
PRIMARY GOVERNMENT	Governmental Activities			
	General government	\$ 156,892	\$ 31,733	(125,159)
	Public safety	90,340	-	(90,340)
	Public works	120,778	-	(120,778)
	Total governmental activities	368,010	31,733	(336,277)
Business-type activities	Building inspection	17,130	17,517	387
TOTAL PRIMARY GOVERNMENT		\$ 385,140	\$ 49,250	\$ (336,277) \$ 387
General Revenues				
Property taxes				-
State shared revenues				-
Unrestricted investment earnings				46
Other				-
Total general revenues			398,560	46
Change in net assets				
Net assets - beginning of year			62,283	433
Net assets - end of year			1,120,176	17,799
			1,182,459	18,232

See accompanying notes to financial statements

FUND FINANCIAL STATEMENTS

MONTCALM TOWNSHIP
GOVERNMENTAL FUND BALANCE SHEET
MARCH 31, 2005

	MAJOR FUNDS					TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	FIRE EQUIPMENT FUND	CEMETERY FUND	LIQUOR ENFORCEMENT FUND	CEMETERY PERPETUAL CARE	
ASSETS						
Cash and cash equivalents	\$ 362,306	\$ 60,429	\$ 32,035	\$ 708	\$ 67,382	\$ 522,860
Due from state	34,460	-	-	-	-	34,460
Taxes receivable	9,017	3,672	-	-	-	12,689
Total Assets	<u>405,783</u>	<u>64,101</u>	<u>32,035</u>	<u>708</u>	<u>67,382</u>	<u>570,009</u>
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Accounts payable	9,232	-	-	-	-	9,232
Total Liabilities	<u>9,232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,232</u>
FUND BALANCES						
Reserved for Perpetual Care	-	-	-	-	67,382	67,382
Reserved for Fire Equipment	-	64,101	-	-	-	64,101
Reserved for Cemetery Operations	-	-	6,036	-	-	6,036
Reserved for Cemetery Land Purchases	-	-	25,999	-	-	25,999
Reserved for Liquor Law Enforcement	-	-	-	708	-	708
Unreserved	396,551	-	-	-	-	396,551
Total Fund Balances	<u>396,551</u>	<u>64,101</u>	<u>32,035</u>	<u>708</u>	<u>67,382</u>	<u>560,777</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 405,783</u>	<u>\$ 64,101</u>	<u>\$ 32,035</u>	<u>\$ 708</u>	<u>\$ 67,382</u>	<u>\$ 570,009</u>

Amounts reported for governmental activities in the statement of net assets are different because:

*Total fund balance - governmental funds

*Capital assets used in governmental activities are not financial resources and are not reported in the funds

\$ 560,777

Net assets of Governmental Activities

621,682

\$1,182,459

See accompanying notes to financial statements

MONTCALM TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
MARCH 31, 2005

	MAJOR FUNDS						TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	FIRE EQUIPMENT FUND	CEMETERY FUND	LIQUOR LAW ENFORCEMENT FUND	CEMETERY PERPETUAL CARE		
REVENUES							
Property taxes	\$ 63,127	32,820	-	-	-	-	95,947
State grants	262,850	-	-	-	-	-	262,850
Interest	6,511	82	1,576	1,522	-	-	8,171
Rents	350	-	-	-	-	-	350
Fees and services	31,383	-	-	-	-	-	31,383
Licenses and permits	5,917	-	6,500	-	-	-	12,417
Lot sales	-	-	10,226	-	-	-	10,226
Reimbursements	-	-	881	-	-	-	881
Other	5,346	-	-	-	1,200	-	6,546
Total Revenues	375,484	32,902	19,183	1,524	1,200		430,293
EXPENDITURES							
General government	140,407	-	-	-	-	-	140,407
Public safety	68,116	-	-	1,722	-	-	69,838
Public services	91,225	-	29,553	-	-	-	120,778
Other	-	-	-	-	-	-	-
Total Expenditures	299,748	-	29,553	1,722	-		331,023
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	75,736	32,902	(10,370)	(198)	1,200		99,270
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	20,000	-	-	-	20,000
Transfers (out)	(20,000)	-	(1,200)	-	-	-	(21,200)
TOTAL OTHER FINANCING SOURCES (USES)	(20,000)	-	18,800	-	-		(1,200)
FUND BALANCE-BEGINNING OF YEAR	340,815	31,199	23,605	906	66,182		462,707
FUND BALANCE-END OF YEAR	\$ 396,551	\$ 64,101	\$ 32,035	\$ 708	\$ 67,382		\$ 560,777

See accompanying notes to financial statements

**MONTCALM TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2005**

Net change in Fund Balances - total governmental funds	\$99,270
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Add: capital outlay	-
Deduct: depreciation expense	<u>(36,987)</u>
Change in net assets of governmental activities	<u><u>\$62,283</u></u>

See accompanying notes to financial statements

**MONTCALM TOWNSHIP
PROPRIETARY FUNDS**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET
ASSETS**

MARCH 31, 2005

	Building Inspection Fund
Operating Revenues	
Charges for services	\$ 17,517
Interest income	46
	<hr/>
Total operating revenues	17,563
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Operating Expenses	
Salaries and wages	9,613
Professional services	4,534
Supplies	797
Telephone	1,276
Mileage	466
Miscellaneous	444
	<hr/>
Total operating expenses	17,130
	<hr/>
Operating income (loss)	433
	<hr/>
Change in net assets	433
	<hr/>
Total net assets - Beginning	17,799
	<hr/>
Total net assets - Ending	<u>\$ 18,232</u>

See accompanying notes to financial statements

**MONTCALM TOWNSHIP
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
MARCH 31,2005**

	<u>Building Inspection Fund</u>
Assets	
Current assets	
Cash and cash equivalents	<u>\$ 18,232</u>
Total current assets	<u>18,232</u>
TOTAL ASSETS	<u><u>18,232</u></u>
Liabilities	
TOTAL LIABILITIES	-
Net Assets	
Unrestricted	<u>18,232</u>
TOTAL NET ASSETS	<u><u>18,232</u></u>

See accompanying notes to financial statements

**MONTCALM TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township is located in Montcalm County, Michigan. The Township operates under an elected board of five (5) members and provides services to its residents in many areas including public safety (fire and police), highway and street maintenance, culture/recreation, public improvements, planning and zoning and general administrative services.

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The more significant of the government's accounting policies are described below.

A - THE REPORTING ENTITY

In accordance with generally accepted accounting principles and governmental accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", these financial statements present the Township and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on the application of the criteria, the township does not contain any component units.

B - GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C – MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are

NOTES TO THE FINANCIAL STATEMENTS (continued)

recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements – The Governmental fund financial statements are reported using the current financial resources measurement and focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenue to be available if they are collected within 60 days of the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st.

Although the Township's 2004 ad valorem tax is levied and collectible on December 1, 2004, it is the Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing operations.

The 2004 taxable valuation of the Township totals \$68,328,513 on which ad valorem taxes levied consisted of 0.9087 mills for the Township operating purposes and 0.4840 mills for fire equipment. These amounts are recognized in the respective fund financial statements as revenue.

The government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

D- BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

Governmental Funds – The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Township has elected to report all governmental funds as major funds.

The Township reports the following governmental funds as major funds:

- The **General Fund** is the Township's primary operating fund. It accounts for all financial resources in the general government, except those required to be accounted for in another fund.
- The **Fire Equipment Fund** accounts for the use of property taxes received under a specially voted millage for the activity related to the purchase of Fire Department equipment.
- The **Cemetery Fund** is used to account for funds received and expended for the

NOTES TO THE FINANCIAL STATEMENTS (continued)

operation of the Township Cemeteries.

- The **Liquor Law Enforcement Fund** is used to account for funds received and expended for liquor law enforcement within the Township.
- The **Cemetery Endowment Fund** is used for reporting resources legally restricted so that only the earnings they generate, and not the resources themselves, may be used to finance cemetery operations.
- The **Building Inspection Fund** is used to account for funds received and expended for building inspections within the Township.

E – ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank Deposits and Investments – The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to / from other funds". Activity between funds that is representative of lending / borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to / from other funds". Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – The Township does not recognize as an asset inventories of supplies. The cost of these supplies is considered immaterial to the financial statements and the quantities are not prone to wide fluctuation from year to year. The costs of such supplies are expensed when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Township as individual assets with an initial cost equal to or more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements

Capital assets of the Township are depreciated using the straight line method over the following estimated useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Equipment and Furnishings	7 to 15 years
Fire Department Vehicles	25 years

NOTES TO THE FINANCIAL STATEMENTS (continued)

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

F – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The government's final budget must be prepared and adopted prior to April 1st of each year.

The appropriated budget is prepared by fund, function and activity. The legal level of budgetary control is the activity level. Certain supplemental budgetary appropriations were made during the year.

The government does not utilize encumbrance accounting.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 1, the Township supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to March 31, the Township Board adopts by resolution a budget for the ensuing year.
4. The Supervisor or his designee is authorized to transfer budgeted amounts within department appropriation accounts. However, any revisions that alter the total expenditures of any department must be approved by the Township Board.
5. Budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at the fiscal year end.
6. Adoption and amendments of all budgets used by the township are governed by Public Act 621.

Excess of expenditures over appropriations – Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended March 31, 2005, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

NOTES TO THE FINANCIAL STATEMENTS (continued)

	<u>Amended Budget</u>	<u>Actual</u>	<u>Unfavorable Budget Variance</u>
General Fund			
Assessor	24,599	27,786	(3,187)
Cemetery Fund			
Salaries and wages	0	608	(608)
Supplies	0	102	(102)
Cemetery maintenance	20,000	25,267	(5,267)
Publications	0	431	(431)
Utilities	0	110	(110)
Miscellaneous	0	3,035	(3,035)

NOTE 2 – CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorized the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. Investments can also be made in bonds, securities, and other direct obligations of the United States, or any agency or instrumentality of the United States, which are guaranteed as to principal and interest by the United States, including securities issued by the United States government, or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating agencies which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of the government of Michigan. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The Township has designated six banks for the deposit of Township funds. The investment policy adopted by the Township in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States Government and bank accounts and CDs, but not the remainder of State Statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At year end, the carrying amount of the Township's cash deposits and investments was \$522,860 and the bank balance was \$705,452. Of the bank balance, \$397,249 was covered by federal depository insurance and \$308,203 was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Local Government Unit or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

NOTES TO THE FINANCIAL STATEMENTS (continued)

At year-end, the Township's investment balances were all categorized as category 1.

NOTE 3 – CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 14,000	\$ -	\$ -	\$ 14,000
Capital assets being depreciated				
Buildings	603,108	-	-	603,108
Office equipment	7,715	-	-	7,715
Fire department equipment	78,900	-	-	78,900
Fire department vehicles	296,632	-	-	296,632
Total capital assets being depreciated	<u>986,355</u>	<u>-</u>	<u>-</u>	<u>986,355</u>
Less accumulated depreciation for:				
Buildings	172,267	15,383	-	187,650
Office equipment	6,061	1,102	-	7,163
Fire department equipment	31,005	9,557	-	40,562
Fire department vehicles	132,353	10,945	-	143,298
Total accumulated depreciation	<u>341,686</u>	<u>36,987</u>	<u>-</u>	<u>378,673</u>
Net capital assets being depreciated	<u>644,669</u>	<u>(36,987)</u>	<u>-</u>	<u>607,682</u>
Governmental activities: Total Capital assets - net of depreciation	<u>\$ 658,669</u>	<u>\$ (36,987)</u>	<u>\$ -</u>	<u>\$ 621,682</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General government	\$16,485
Public safety	<u>20,502</u>
Total Governmental Activities	<u>\$36,987</u>

The Township is considered a "Phase 3" Government, as defined by GASB 34. Accordingly, the Township has elected to not retroactively apply the reporting of major general infrastructure assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 4 – RETIREMENT PLAN

The Township does not have a retirement plan for any of its employees.

NOTE 5 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as workman's compensation benefits provided to employees. The Township has purchased commercial insurance for claims relating to general liability, errors and omissions, physical damage (equipment, building, and contents) and workers compensation.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

NOTE 6 – DEFERRED COMPENSATION

The Township does not have a deferred compensation plan.

NOTE 7 – POST EMPLOYMENT

The Township does not furnish any post employment benefits to its employees.

NOTE 8 - ACCUMULATED VACATION AND SICK PAY

The Township employees do not earn vacation pay and they are not paid for sick days.

MONTCALM TOWNSHIP - GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Property Taxes	\$ -	\$ -	\$ 63,127	\$ 63,127
Administration Fee	-	-	20,639	20,639
State Grants	-	-	262,850	262,850
Licenses & Permits	-	-	5,917	5,917
Interest	-	-	6,511	6,511
Rents	-	-	350	350
Charges For Services	-	-	10,744	10,744
Other Revenues	-	-	5,346	5,346
Total Revenues	<u>-</u>	<u>-</u>	<u>375,484</u>	<u>375,484</u>
Expenditures				
Township Board	20,000	20,000	7,996	12,004
Supervisor	20,401	20,401	20,401	-
Assessor	24,599	24,599	27,786	(3,187)
Elections	5,000	5,877	5,877	-
Clerk	16,000	17,724	17,667	57
Board of Review	3,000	3,083	3,083	-
Treasurer	25,000	31,979	31,974	5
Township Hall	20,000	20,000	16,105	3,895
Zoning, Construction, & Planning	20,000	20,000	9,518	10,482
Police Protection	25,000	25,000	23,472	1,528
Fire Department	55,000	55,000	44,644	10,356
Highways and Streets	90,000	91,225	91,225	-
Contingency/Other	15,000	4,112	-	4,112
Total Expenditures	<u>339,000</u>	<u>339,000</u>	<u>299,748</u>	<u>39,252</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(339,000)</u>	<u>(339,000)</u>	<u>75,736</u>	<u>414,736</u>
OTHER FINANCING SOURCES (USES)				
Transfer Out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(359,000)</u>	<u>(359,000)</u>	<u>55,736</u>	<u>-</u>
FUND BALANCE - BEGINNING OF THE YEAR	<u>340,815</u>	<u>340,815</u>	<u>340,815</u>	<u>-</u>
FUND BALANCE - END OF THE YEAR	<u>\$ (18,185)</u>	<u>\$ (18,185)</u>	<u>\$ 396,551</u>	<u>-</u>

See accompanying notes to financial statements

**MONTCALM TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES
YEAR ENDED MARCH 31, 2005**

TOWNSHIP BOARD

Salaries and Wages	\$ 3,751	
Supplies	106	
Professional Services	519	
Mileage	15	
Insurance	1,328	
Publishing	-	
Miscellaneous	<u>2,277</u>	7,996

SUPERVISOR

Salaries and Wages	13,990	
Supplies	2,239	
Professional Services	719	
Telephone	7	
Mileage	819	
Insurance	1,288	
Miscellaneous	<u>1,339</u>	20,401

ASSESSOR

27,786

ELECTIONS

Salaries and Wages	3,755	
Supplies	1,865	
Professional Services	-	
Mileage	77	
Miscellaneous	<u>180</u>	5,877

CLERK

Salaries and Wages	14,232	
Supplies	856	
Mileage	502	
Professional Services	619	
Insurance	1,288	
Miscellaneous	<u>170</u>	17,667

BOARD OF REVIEW

Salaries and Wages	1,428	
Supplies	3	
Publishing	437	
Insurance	<u>1,215</u>	3,083

See accompanying notes to financial statements

**MONTCALM TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES
YEAR ENDED MARCH 31, 2005**

TREASURER

Salaries and Wages	18,993	
Supplies	3,792	
Tax Statements	6,414	
Mileage	490	
Professional Services	609	
Publishing	341	
Insurance	47	
Miscellaneous	<u>1,288</u>	
		31,974

TOWNSHIP HALL

Salaries and Wages	129	
Supplies	1,366	
Publishing	2,102	
Insurance	2,998	
Telephone	60	
Utilities	7,227	
Repair and Maintenance	24	
Professional Services	156	
Miscellaneous	804	
Capital Outlay	<u>1,239</u>	
		16,105

ZONING, CONSTRUCTION, AND PLANNING

Salaries and Wages	6,371	
Supplies	212	
Professional Services	506	
Telephone	50	
Publishing	1,122	
Insurance	1,246	
Miscellaneous	<u>11</u>	
		9,518

FIRE DEPARTMENT

Salaries and Wages	29,221	
Supplies	3,090	
Professional Services	1,742	
Telephone	882	
Insurance	2,454	
Utilities	2,434	
Repairs	4,461	
Mileage	-	
New Equipment	-	
Miscellaneous	<u>360</u>	
		44,644

See accompanying notes to financial statements

**MONTCALM TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES
YEAR ENDED MARCH 31, 2005**

POLICE PROTECTION	23,472
HIGHWAYS AND STREETS	91,225
TOTAL EXPENDITURES	<u>\$ 299,748</u>

See accompanying notes to financial statements

**MONTCALM TOWNSHIP
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2005**

	Fire Equipment <u>Fund</u>	Cemetery <u>Fund</u>	Liquor Law Enforcement <u>Fund</u>	<u>Totals</u>
ASSETS				
Cash	\$ 60,429	\$ 32,035	\$ 708	\$ 93,172
Taxes Receivable	<u>3,672</u>	<u>-</u>	<u>-</u>	<u>3,672</u>
Total Assets	<u>64,101</u>	<u>32,035</u>	<u>708</u>	<u>96,844</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Reserved for Fire Equipment	64,101	-	-	64,101
Reserved for Cemetery Operations	-	6,036	-	6,036
Reserved for Cemetery Land Purchases	-	25,999	-	25,999
Reserved for Liquor Law Enforcement	<u>-</u>	<u>-</u>	<u>708</u>	<u>708</u>
Total Fund Balances	<u>64,101</u>	<u>32,035</u>	<u>708</u>	<u>96,844</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 64,101</u>	<u>\$ 32,035</u>	<u>\$ 708</u>	<u>\$ 96,844</u>

See accompanying notes to financial statements

**MONTCALM TOWNSHIP
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
MARCH 31, 2005**

	Fire Equipment <u>Fund</u>	Cemetery <u>Fund</u>	Liquor Law Enforcement <u>Fund</u>	<u>Totals</u>
REVENUES				
Property Taxes	\$ 32,820	\$ -	\$ -	\$ 32,820
State Grants	-	-	1,522	1,522
Interest	82	1,576	2	1,660
Lot Sales	-	6,500	-	6,500
Reimbursements	-	10,226	-	10,226
Other	-	881	-	881
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	32,902	19,183	1,524	53,609
EXPENDITURES				
Salaries and Wages	-	608	1,550	2,158
Supplies	-	102	-	102
Cemetery Maintenance	-	25,267	-	25,267
Publication	-	431	-	431
Mileage	-	-	172	172
Utilities	-	110	-	110
Repairs	-	-	-	-
Miscellaneous	-	3,035	-	3,035
Capital Outlay	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	-	29,553	1,722	31,275
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	32,902	(10,370)	(198)	22,334
OTHER FINANCING SOURCES				
Transfers in	-	20,000	-	20,000
Transfers out	-	(1,200)	-	(1,200)
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	-	18,800	-	18,800
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES				
	32,902	8,430	(198)	41,134
FUND BALANCE - BEGINNING OF YEAR				
	31,199	23,605	906	55,710
FUND BALANCE - END OF YEAR				
	<u>\$ 64,101</u>	<u>\$ 32,035</u>	<u>\$ 708</u>	<u>\$ 96,844</u>

See accompanying notes to financial statements

**MONTCALM TOWNSHIP
FIRE EQUIPMENT FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Property taxes	\$ -	\$ -	\$ 32,820	\$ 32,820
Interest	-	-	82	82
Total Revenues	-	-	32,902	32,902
EXPENDITURES				
Equipment	-	-	-	-
Total Expenditures	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	32,902	32,902
FUND BALANCE-BEGINNING OF YEAR	31,199	31,199	31,199	-
FUND BALANCE-END OF YEAR	<u>\$ 31,199</u>	<u>\$ 31,199</u>	<u>\$ 64,101</u>	<u>-</u>

See accompanying notes to financial statements

**MONTCALM TOWNSHIP
CEMETERY FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Lot sales	\$ -	\$ -	\$ 6,500	\$ 6,500
Interest	-	-	1,576	1,576
Reimbursements	-	-	10,226	10,226
Other	-	-	881	881
Total Revenues	<u>-</u>	<u>-</u>	<u>19,183</u>	<u>19,183</u>
EXPENDITURES				
Salaries and wages	-	-	608	(608)
Supplies	-	-	102	(102)
Cemetery maintenance	20,000	20,000	25,267	(5,267)
Publications	-	-	431	(431)
Utilities	-	-	110	(110)
Miscellaneous	-	-	3,035	(3,035)
Total Expenditures	<u>20,000</u>	<u>20,000</u>	<u>29,553</u>	<u>(9,553)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(20,000)</u>	<u>(20,000)</u>	<u>(10,370)</u>	<u>9,630</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	20,000	20,000
Transfers out	-	-	(1,200)	(1,200)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>18,800</u>	<u>18,800</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(20,000)</u>	<u>(20,000)</u>	<u>8,430</u>	<u>28,430</u>
FUND BALANCE-BEGINNING OF YEAR	<u>23,605</u>	<u>23,605</u>	<u>23,605</u>	<u>-</u>
FUND BALANCE-END OF YEAR	<u>\$ 3,605</u>	<u>\$ 3,605</u>	<u>\$ 32,035</u>	<u>-</u>

See accompanying notes to financial statements

**MONTCALM TOWNSHIP
LIQUOR LAW ENFORCEMENT FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
State grants	\$ -	\$ -	\$ 1,522	\$ 1,522
Interest	-	-	2	2
Total Revenues	-	-	1,524	1,524
EXPENDITURES				
Salaries and wages	1,600	1,600	1,550	50
Mileage	400	400	172	228
Total Expenditures	2,000	2,000	1,722	278
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,000)</u>	<u>(2,000)</u>	<u>(198)</u>	<u>1,802</u>
FUND BALANCE-BEGINNING OF YEAR	<u>906</u>	<u>906</u>	<u>906</u>	<u>-</u>
FUND BALANCE-END OF YEAR	<u>\$ (1,094)</u>	<u>\$ (1,094)</u>	<u>\$ 708</u>	<u>-</u>

See accompanying notes to financial statements

COMPLIANCE AND INTERNAL CONTROL

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

September 20, 2005

Members of the Township Board
Montcalm Township
Montcalm County, Michigan

We have audited the general-purpose financial statements of Montcalm Township as of and for the year ended March 31, 2005, and have issued our report thereon dated September 20, 2005. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

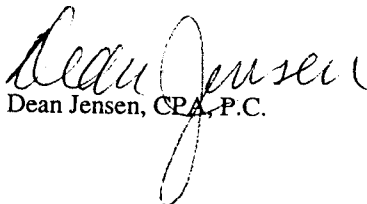
Compliance

As part of obtaining reasonable assurance about whether Montcalm Township's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Montcalm Township in a separate letter dated September 20, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Montcalm Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

This report is intended for the information of Township Board and management. However, this report is a matter of public record and its distribution is not limited.


Dean Jensen, CPA, P.C.

DEAN JENSEN

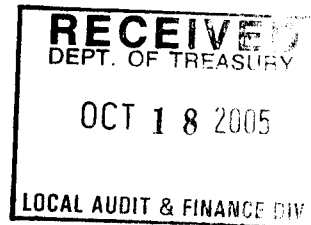
Certified Public Accountant, P.C.

108 N. Lafayette St., Suite D
P.O. Box 605
Greenville, MI 48838

Telephone (616) 754-8888
Fax (616) 754-5281

September 20, 2005

To the Members of the Township Board
of Montcalm Township



In planning and performing our audit of the general purpose financial statements of Montcalm Township, for the year ended March 31, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated September 20, 2005, on the financial statements of Montcalm Township.

Comments and Recommendations

General Ledger

During the year ending March 31, 2005, the clerk converted the township's general ledger to a computerized system. This is a very positive move and should help the township's efficiency with its accounting.

Budgets and Amendments

During the audit for the year ended March 31, 2005, we noted that actual expenditures exceeded budgeted amounts in several areas as listed on page 15 of the annual financial statements. Although the excess expenditures were not significant, it suggests an insufficient level of budgetary review is occurring throughout the year.

The Michigan Public Act 621 of 1978, as amended, provides that the township adopt a formal budget for the General Fund and Special Revenue funds, and shall not incur expenditures in excess of amounts appropriated.

We suggest the township monitor expenditures against the adopted budget on a periodic basis, preferably monthly. Appropriate budget amendments should be made as needed.

Page 2

Cash Management

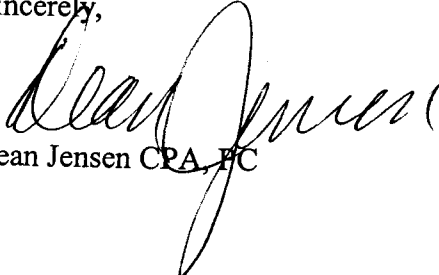
The township's policy is to have dual signatures on all checks. We recommend that the clerk and treasurer sign all checks. The clerk should sign the check after she prepares it. Once it is approved by the board, the treasurer should sign the check and mail it to the vendor.

We would also recommend that the Supervisor open the bank statements every month to review the cleared checks and any transfers before the clerk or the treasurer prepare the monthly bank reconciliations.

This report is intended solely for the information and use of the members of the Township Board and related regulatory agencies.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss these suggestions with you and to provide assistance in the implementation of improvements.

Sincerely,



Dean Jensen CPA, PC